1969

DOME PETROLEUM LIMITED ANNUAL REPORT

AND FIRST QUARTER 1970

FRONT COVER

One of the Company's high-pressure storage spheres under construction at the Edmonton pipeline terminal.

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held at the Royal York Hotel, Toronto, Ontario, on April 27, 1970 at 12:00 o'clock noon. A formal notice of meeting and proxy form are enclosed with this report.

DOME PETROLEUM LIMITED

DIRECTORS

NORMAN J. ALEXANDER, *Winnipeg, Manitoba*
Managing Partner; Richardson Securities of Canada

HENRY C. BRUNIE, *New York, N.Y.*
Vice-Chairman of the Board; The Bank of New York

JOHN P. GALLAGHER, *Calgary, Alberta*
President of the Company

JOHN L. LOEB, *New York, N.Y.*
Partner; Loeb, Rhoades & Co.

BRYCE R. MACKENZIE, *Toronto, Ontario*
Senior Partner; Fasken & Calvin

CHARLES E. MAIN, *New York, N.Y.*
Director; The Clark Estates, Inc.

A. BRUCE MATTHEWS, *Toronto, Ontario*
Chairman of the Board; The Excelsior Life Insurance Company

CLIFFORD W. MICHEL, *New York, N.Y.*
Chairman of the Board; Dome Mines Limited; Partner; Loeb, Rhoades & Co.

WILLIAM F. MORTON, *Winchester, Mass.*
Investment Manager

JAMES B. REDPATH, *Toronto, Ontario*
President; Dome Mines Limited

OFFICERS

CLIFFORD W. MICHEL,
Chairman of the Board

JOHN P. GALLAGHER,
President

CHARLES S. DUNKLEY,
Vice-President

JAMES B. REDPATH,
Vice-President

WILLIAM E. RICHARDS,
Vice-President and Secretary

DONALD M. WOLCOTT,
Vice-President

HENRY T. ASTLE,
Treasurer

FRASER M. FELL,
Assistant Secretary

HEAD OFFICE

706 - 7TH AVENUE S.W.,
Calgary 2, Alberta

REGISTRARS AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario; Montreal, Quebec; Regina, Saskatchewan; Calgary, Alberta

THE BANK OF NEW YORK
New York, N.Y.

GENERAL COUNSEL

FASKEN & CALVIN
Toronto Dominion Bank Tower, Toronto, Ontario

AUDITORS

CLARKSON, GORDON & CO.
Calgary, Alberta

STOCK LISTED

TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE
AMERICAN STOCK EXCHANGE

ANNUAL REPORT 1969

COMPARATIVE HIGHLIGHTS

FINANCIAL

	1969	1968	1967
Gross Income (after royalties) . .	$23,591,807	$24,561,204	$21,769,254
Cash Flow (after cost of product, operating, administrative and interest expenses) . . .	$12,776,464	$14,451,834	$12,160,626
Cash Flow per share	$3.79	$4.31	$3.66
Net Income (after all charges) . .	$ 8,387,221	$10,077,973	$ 8,360,922
Net Income per share . . .	$2.49	$3.00	$2.51
Shares Outstanding	3,372,755	3,356,865	3,324,677
Working Capital Deficit . . .	$11,811,256*	$ 305,909	$ 5,144,754
Long Term Debt	$42,636,742	$38,227,981	$29,270,119

16.8

* *Increase due to $12,000,000 of interim bank loans.*

OPERATING

	1969	1968	1967
Oil and Natural Gas Liquids Production (net barrels) . .	6,231,010	6,259,450	5,757,849
Gas Production (billion cubic feet)	48.7	51.8	43.7
Remaining Oil and Gas Liquids Reserves (net barrels)** . .	116,900,000	73,300,000*	61,890,000*
Remaining Gas Reserves (billion cubic feet)** . . .	1,184	1,100*	1,011*
Wells Drilled	75	134	102
Land — Gross Acres . . .	23,777,692	19,593,390	13,268,294
Land — Net Acres	19,127,099	15,931,523	11,003,613

* *Excludes Zama and other confidential reserves.*

** *Excludes reserves processed at the Steelman, Edmonton and Coleville plants.*

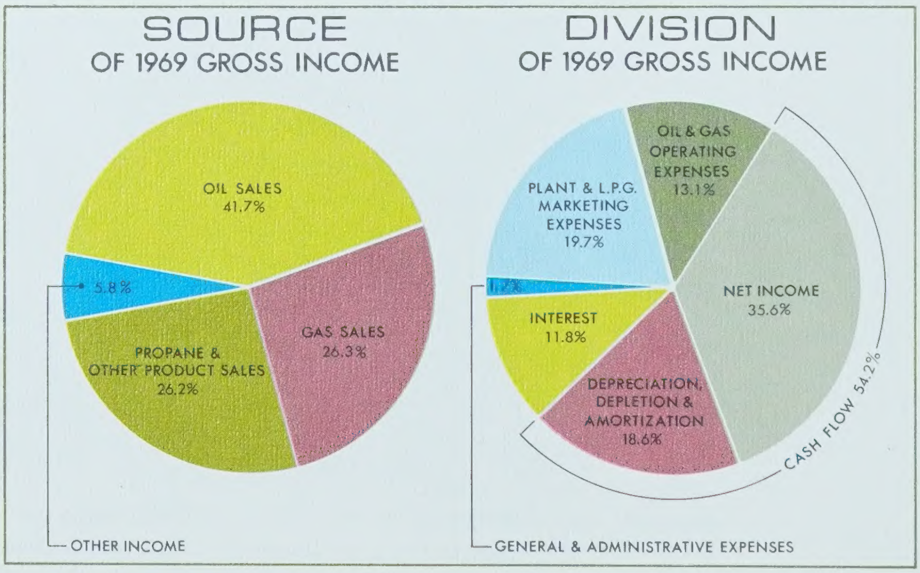
REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

The following are the results of your Company's operations during 1969:

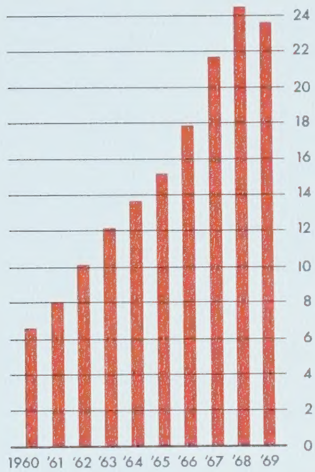
FINANCIAL

- 1969 gross income after all royalties totalled $23,591,807, compared to $24,561,204 in 1968.
- Cash flow, after cost of sales and operating, administrative and interest expenses, amounted to $12,776,464 ($3.79 per share) compared to $14,451,834 ($4.31 per share) in 1968.
- Net income totalled $8,387,221 ($2.49 per share) compared to $10,077,973 ($3.00 per share) in the previous year.
- Retained earnings at December 31, 1969 increased to $54,786,803 from $46,399,582 at the end of 1968.
- Investments in other oil, gas and pipeline companies (exclusive of Panarctic Oils Ltd.) at December 31, 1969 amounted to $563,134 and had a market or appraised value of $3,400,000. The investment in Panarctic to date totals $828,328.
- Unclaimed exploration and development expenditures and capital cost allowances available for application against future taxable income amounted to $60 million at December 31, 1969 compared to $45 million at the previous year-end.
- Lease, royalty and bonus payments to Federal and Provincial Governments in 1969 totalled $6,400,000.
- The decline in net income in 1969 was due primarily to higher interest rates on increased debt, lower product prices and the inflationary cost pressures in the economy. The start-up of the integrated LPG system and the anticipated increase in product prices should improve profit levels during the latter half of 1970.



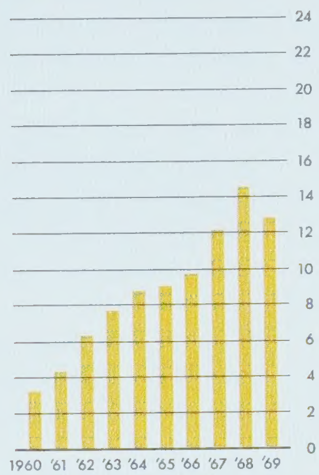
GROSS INCOME

After Royalties



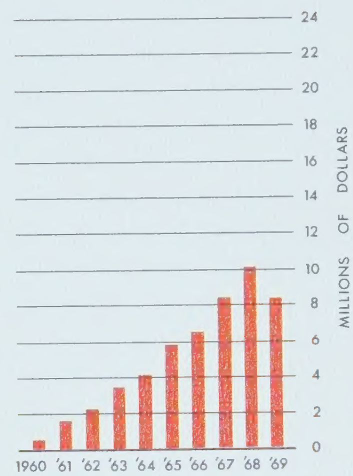
CASH FLOW

After Cost of Product, Operating, Administrative and Interest Expenses



NET INCOME

After All Charges



PRODUCTION

- Production of oil, natural gas liquids and oil equivalent of gas averaged 24,079 barrels per day compared to 24,615 barrels per day in 1968.
- Net oil, condensate and natural gas liquids production remained relatively constant at 17,071 barrels per day.
- Gas production averaged 133.4 million cubic feet per day in 1969 compared to 141.6 million cubic feet per day in 1968.
- Sulphur production averaged 33.2 long tons per day compared to 37.8 long tons per day in 1968.

RESERVES

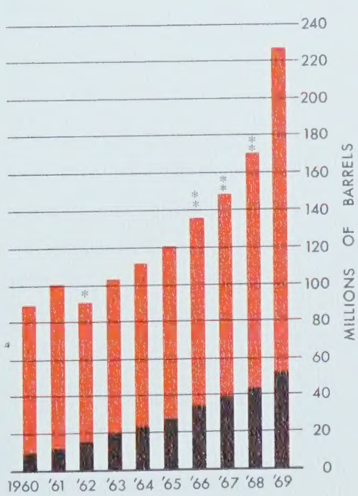
- Net remaining recoverable oil and gas liquids reserves at December 31, 1969 were estimated to be 116,900,000 barrels, excluding the heavy gravity oil reserves at Hughenden and McMurray. Additions to oil reserves in 1969 include previously unreported confidential and pressure maintenance reserves.
- Estimated remaining recoverable natural gas and sulphur reserves at year-end amounted to 1,184 billion cubic feet and 209,300 long tons respectively.

RESERVES

OIL & OIL EQUIVALENT OF GAS

REMAINING RESERVES

CUMULATIVE PRODUCTION



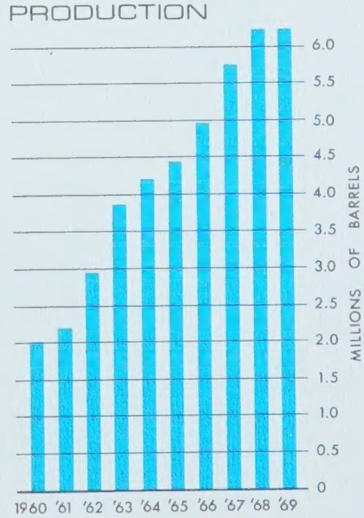
• Net reserves after royalties and partners' interests.

• Gas reserves and production converted to barrels using a price equivalent ratio of 18,000 cubic feet per barrel.

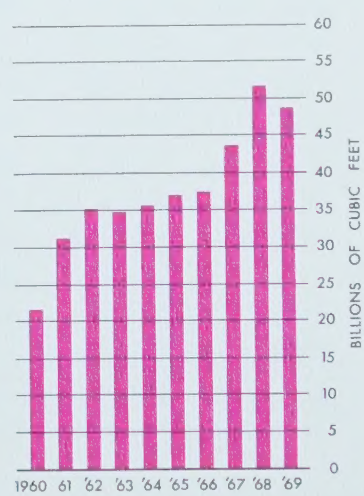
*Redwater oil reserves were sold for $8,742,000.

**Excluding North Zama reserves.

OIL & NATURAL GAS LIQUIDS PRODUCTION



GAS PRODUCTION



DRILLING

- During 1969, Dome participated in drilling 36 exploratory wells, 7 step-out wells and 32 development wells. Of the 75 wells, 22 were drilled at no cost to the Company.

- The 1969 drilling program resulted in 17 oil producers (6.25 net), 24 gas producers (16.59 net) and 34 dry holes (15.55 net), increasing Dome's working interest at year-end to 1,955 oil wells (426 net) and 302 gas wells (187 net). In addition, the Company holds a royalty interest in 105 oil and gas wells.

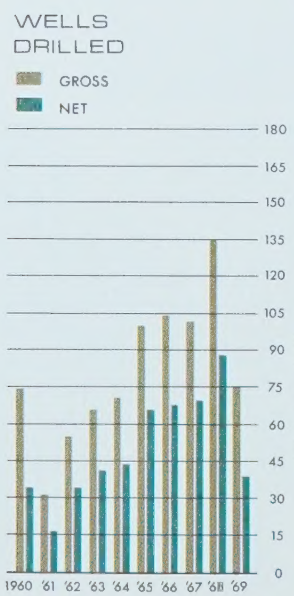
- In the Provost area of east-central Alberta, 5 oil wells and 16 gas wells were drilled on Dome-interest acreage. Two of the gas wells are located in the Brownfield unit which went on stream in November.

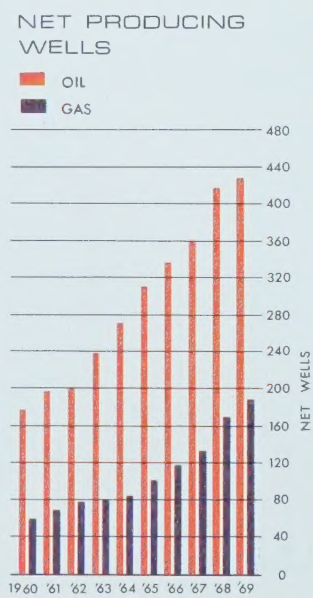
- Five oil wells and one gas well were completed on Dome's acreage in the Willesden Green area, where pressure maintenance facilities are now in operation.

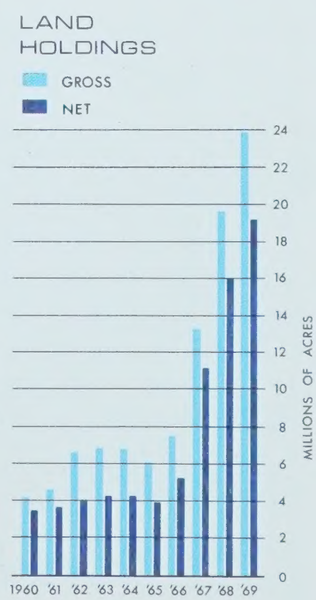
- Exploratory drilling on Dome acreage in northeastern British Columbia and northwestern Alberta resulted in 3 gas discoveries in 1969.

- The deep test well on the large Ritchie anticline in the Bowser area of northwestern British Columbia was suspended in late 1969. Gas shows encountered will be stimulated and tested during the second quarter of 1970.

- Through its 4.06% interest in Panarctic Oils Ltd., Dome participated in a three-well drilling program in the Canadian Arctic Islands in 1969. A substantial gas discovery was made at Drake Point on Melville Island and drilling is now underway by Panarctic on Dome's large Hoodoo structure on Ellef Ringnes Island.







Seismic shot in the Canadian Arctic Islands. The reflections of the shock waves from the underlying sediments aided in selecting the site of Pan-arctic's Hoodoo Dome well on Ellef Ringnes Island.

LAND

- As of December 31, 1969, Dome held interests in oil and gas rights on 23,778,000 gross acres. Net holdings totalled 19,127,000 acres, an increase of 3,196,000 acres or 20% over the previous year-end.
- Major land acquisitions were made in the highly potential deep Alberta Foothills Devonian gas play in 1969. The Company is currently participating in the drilling of four deep tests in the area.
- During 1969, Dome participated in 2,282 miles of seismic surveys in evaluating Company acreage and potential acquisitions. This work was supplemented by extensive gravity meter and geological surveys.

LAND HOLDINGS

	December 31, 1969		*December 31, 1968*	
	Gross Acres	*Net Acres*	*Gross Acres*	*Net Acres*
Alberta	2,637,813	1,591,880	2,590,823	1,619,726
British Columbia . . .	4,750,611	2,798,794	4,381,390	2,551,957
Manitoba	98,578	56,082	92,465	49,929
Saskatchewan	338,719	191,749	1,208,205	927,675
Ontario	1,868,551	936,769	4,987	4,987
Northwest Territories . .	11,629,116	11,123,806	10,926,076	10,420,766
Canadian East Coast . .	2,081,689	2,081,689	—	—
Alaska*	284,015	284,015	275,444	275,444
Other United States . .	88,600	62,315	114,000	81,039
Total	23,777,692	19,127,099	19,593,390	15,931,523

* *Includes priority filing acreage.*

Dome's 100-ton per day industrial minerals plant nearing completion at Quesnel, British Columbia.

• The first phase of the integrated liquefied petroleum gas processing and distribution system is scheduled to commence operations in mid-1970. A description of the facilities in Alberta, Saskatchewan, Wisconsin and Ontario is given on page 17.

PROCESSING AND MINING

• The 100-ton per day industrial minerals plant at Quesnel, British Columbia commenced production in March, 1970. Crude ore from two open pit mines is dried, milled, calcined and screened at the plant to produce various grades of pozzolans, fillers and absorbants for the construction and chemical industries.

• As of year-end the Company held a 33% interest in 942 Canadian mining claims which were acquired as part of a joint mineral exploration program with Dome Mines Limited and its associated companies.

FIRST QUARTER 1970

• Gross income in the first quarter of 1970 increased to $7,317,000 from $6,527,000 during the same period of 1969. Cash flow amounted to $3,984,000 ($1.18 per share) compared to $3,891,000 ($1.16 per share) a year ago. Net income totalled $2,734,000 (81¢ per share) compared to $2,719,000 (81¢ per share) in the first quarter of 1969. These figures are unaudited.

• Combined production of oil, natural gas liquids and oil equivalent of gas increased to 26,500 barrels per day from 25,800 barrels per day in the first quarter of 1969.

Your directors wish to record their appreciation of the excellent effort and performance by all of our employees, which contributed to the growth of the Company during the past year.

C. W. MICHEL,
Chairman of the Board

J. P. GALLAGHER,
President

April 2, 1970.

OUTLOOK

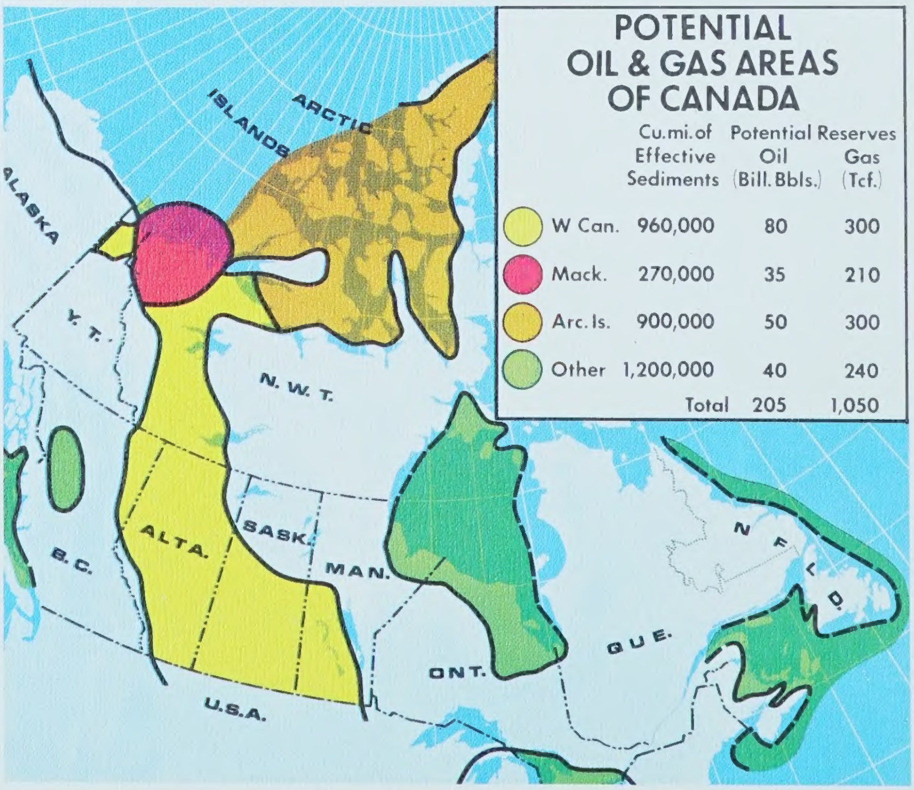
Drilling rig on location at Panarctic's Drake Point gas discovery on Melville Island in the Canadian Arctic.

INDUSTRY PROSPECTS

Canada's potential reserves, using industry accepted standards, have been conservatively estimated at over 200 billion barrels of conventional oil (exclusive of the Tar Sands) and over 1,000 trillion cubic feet of gas. Including minimum estimates for the Athabasca Tar-Sand oil plus natural gas liquids, the estimated recoverable reserves for Canada total in excess of 530 billion barrels of oil as compared to estimated developed world reserves of 400 billion barrels.

The rapid growth in the demand for crude oil, natural gas and liquefied petroleum gas (LPG) on this continent, and the inability of the United States (exclusive of Alaska) to meet this growing demand with additional domestic reserves indicate that Canada will find a rapidly growing market for its largely untapped petroleum reserves.

The majority of industry forecasts suggest that the recent oil discoveries on the North Slope of Alaska will not disrupt the increasing acceptance of Canadian crude oil in the crude deficient U.S. Mid-West markets. The most economic route for the transportation of North Slope oil and gas is through Canada or Canadian territorial waters. This fact should increase Canada's bargaining position in obtaining free access to U.S. markets.



Over the past year, demand for Canadian natural gas has grown at such a rate that for the first time natural gas can be sold as fast as it is developed. This strong demand is reflected in a 25% increase over the past two years in the initial purchase price of gas.

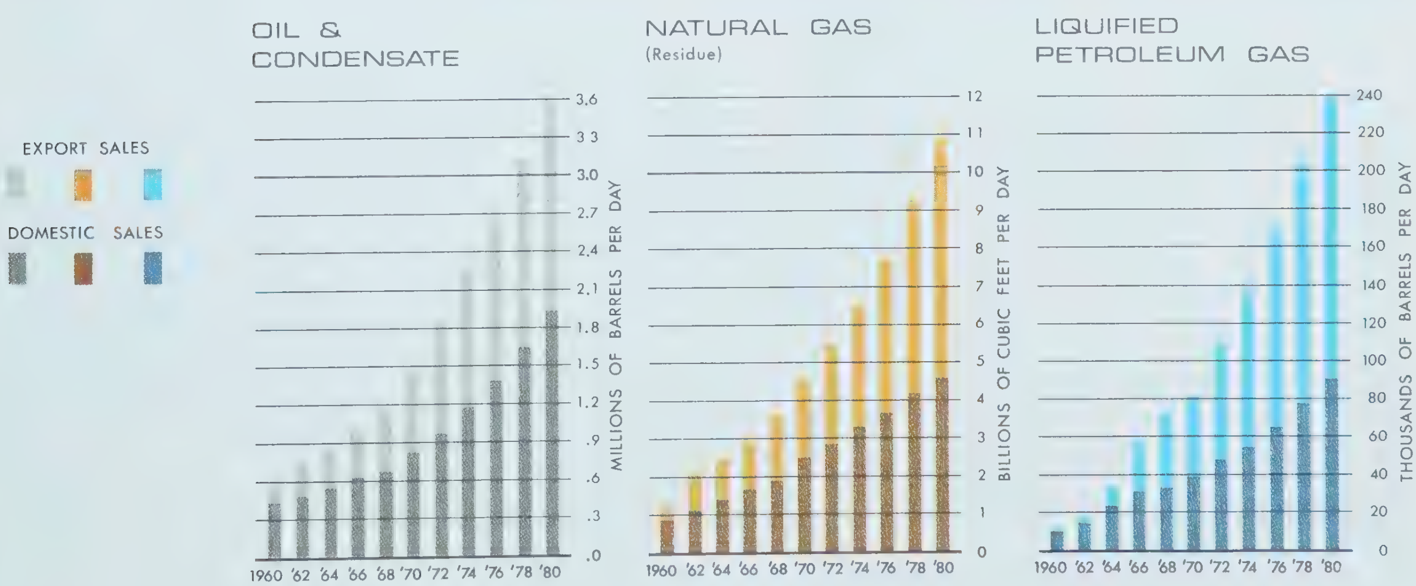
The supply of LPG's, which are produced largely as a by-product of natural gas production, is increasing in step with natural gas sales. Fortunately, the demand for LPG's in the United States is growing even faster than the Canadian supply. Because of the expense associated with the movement of natural gas and LPG's from offshore sources, Canada provides the most economic and secure source of supply to the United States for these products. In the last few months, LPG prices have increased by more than 40% and industry sources predict a long term trend towards higher and more stable price levels.

The Canadian and United States Governments are currently involved in major discussions aimed at formulation of a Continental Energy Policy. Under such a policy both countries would adopt comparable import limitations and would remove all restrictions and tariffs on the movement of North American petroleum products to their most economic markets.

A Continental Energy Policy would overcome two weaknesses of the informal agreements now in effect. It would provide the Canadian industry with an assured market without which it cannot commit vast sums of money to find and develop new reserves. It would provide the United States with an economic source of supply on which it could rely in time of national emergency.

If the continental concept is adopted, Canadian oil production should increase by at least 250% during the next decade to an estimated 3.6 million barrels per day by 1980. By that date, natural gas production should increase 240% to 10.8 billion cubic feet per day and LPG production by 300% to 240,000 barrels per day. These estimates, which are based on Government and industry forecasts, are shown on the following graphs.

HISTORY & FORECAST OF CANADIAN HYDROCARBON PRODUCTION

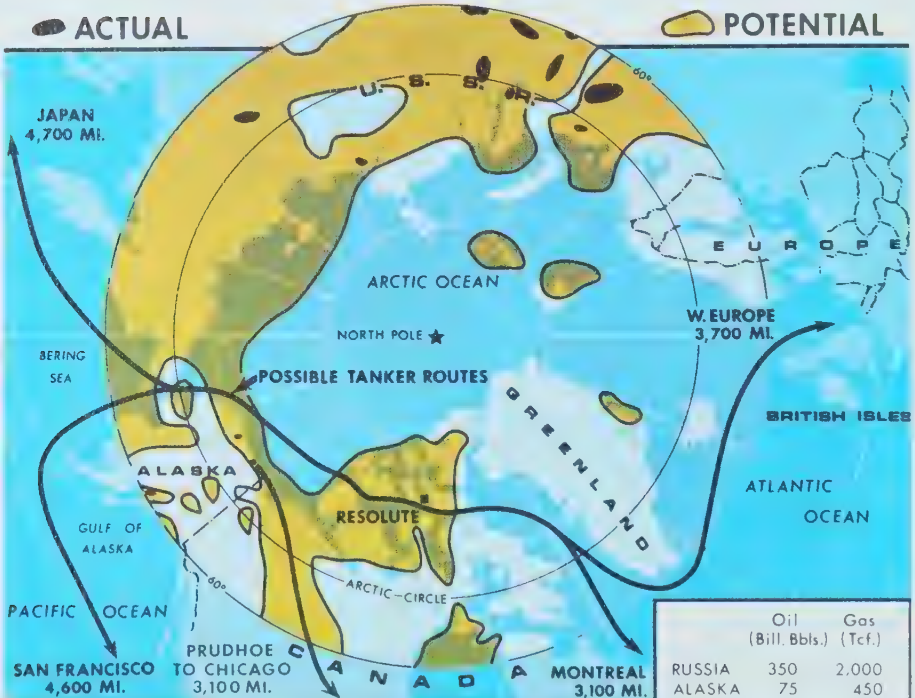


Over 50% of the estimated recoverable conventional oil reserves in Canada are located north of Latitude 60°. The major oil discovery at Prudhoe Bay on the North Slope of Alaska has intensified the interest in Canada's Arctic potential. The recent oil discovery by Imperial Oil at Atkinson Point in the Mackenzie Delta and the major Melville gas discovery by Panarctic in the Arctic Islands have helped to confirm the industry's appraisal of Northern Canada.

The necessity for the Western World to develop oil and gas reserves in politically stable countries has helped focus industry attention on this Arctic potential. The close proximity of the Canadian Arctic Islands to the principal consuming areas of the world and recent developments in surface and underwater transportation in the Arctic make this area highly favourable for hydrocarbon exploration.

Your Company holds over 11 million net acres of exploration permits in the areas north of Latitude 60°, approximately 45% of which is being carried at no cost to Dome under farmout contracts to other companies. In addition, your Company has a 4.06% share in the 50 million acre exploration program currently being carried out by Panarctic Oils Ltd. in the Canadian Arctic Islands.

ARCTIC OIL & GAS AREAS

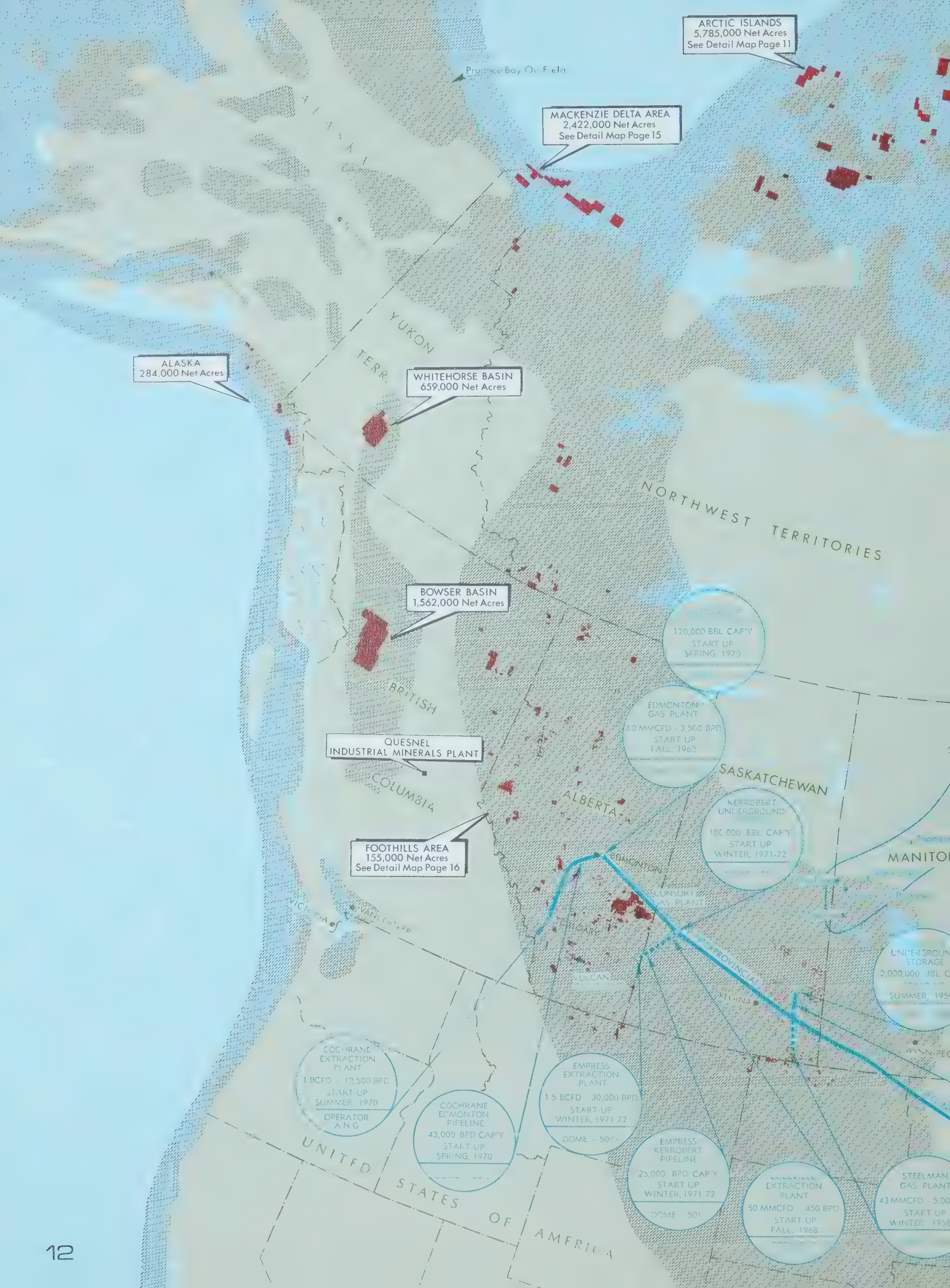


	Oil (Bill. Bbls.)	Gas (Tcf.)
RUSSIA	350	2,000
ALASKA	75	450
CANADA	105	630
OTHER	20	120
TOTAL	550	3,200

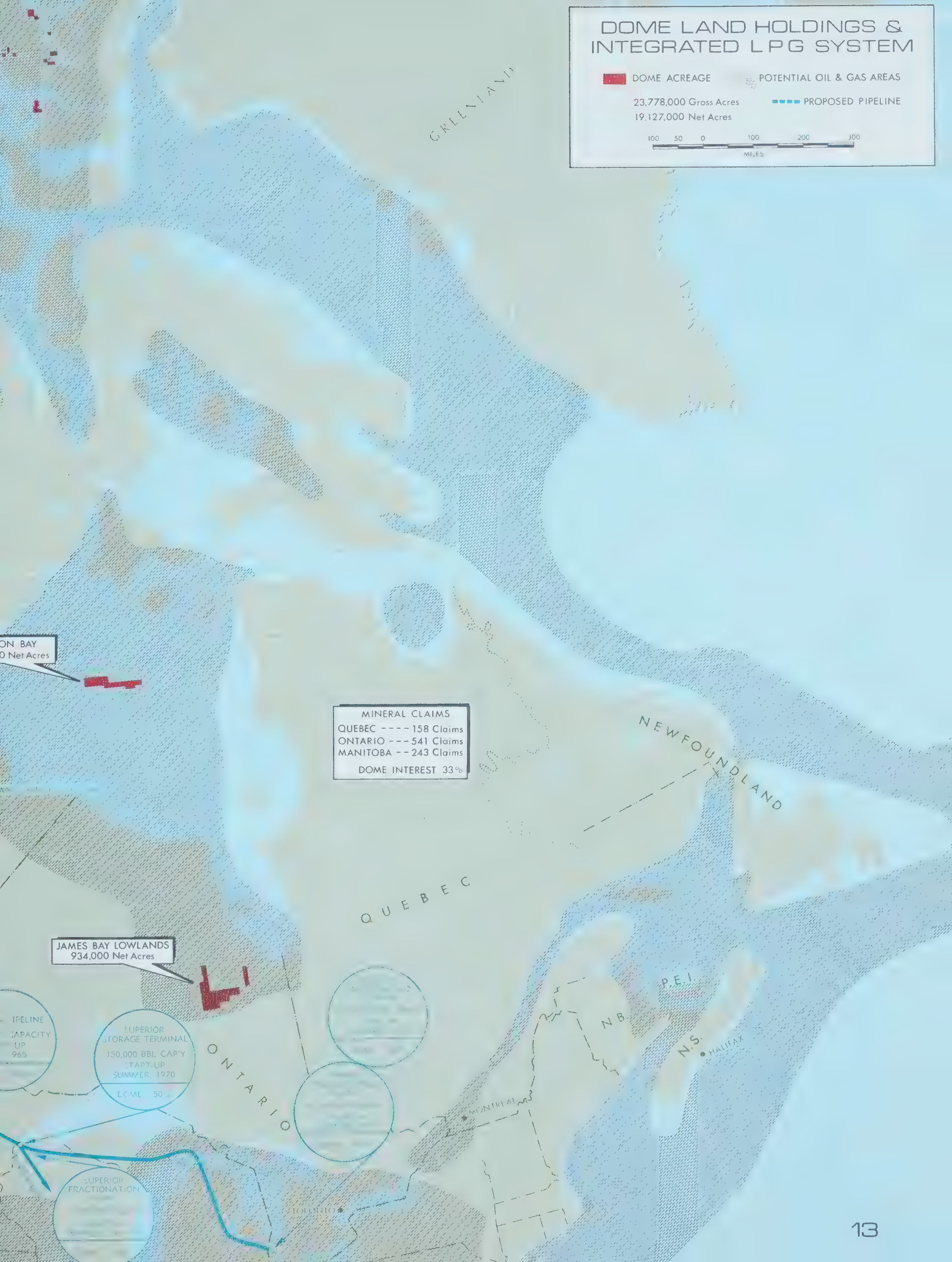
EST. ULTIMATE RECOVERABLE RESERVES
(NORTH OF LAT. 60°)

Panarctic Oils Ltd., a consortium of Canadian mining companies, independent oil companies and the Canadian Government, has committed a minimum of $30 million towards the drilling of 19 exploratory wells in the Arctic Islands. Three wells have been drilled to date, of which one has been a major gas discovery. The fourth Panarctic well, which is currently testing the large Hoodoo structure on Ellef Ringnes Island, is located on a 500,000 acre group of permits farmed out from Dome to Panarctic. On completion of this test, Dome will retain a 50% undivided interest in the farmout acreage.

Additional wells are planned by Panarctic within the next 18 months on your Company's Arctic acreage with the declared intention of testing Dome's highly prospective central anticline on Amund Ringnes Island. Upon completion of the Amund Ringnes well by Panarctic, your Company will retain a 50% interest in 234,000 acres and a 100% interest in 478,000 contiguous permit acres.



ARCTIC ISLANDS
5,785,000 Net Acres
See Detail Map Page 11
MACKENZIE DELTA AREA
2,422,000 Net Acres
See Detail Map Page 15
ALASKA
284,000 Net Acres
YUKON
TERR.
WHITEHORSE BASIN
659,000 Net Acres
NORTHWEST TERRITORIES
BOWSER BASIN
1,562,000 Net Acres
120,000 BBL CAP'Y
START UP
SPRING, 1970
BRITISH
COLUMBIA
EDMONTON
GAS PLANT
START UP
FALL, 1962
QUESNEL
INDUSTRIAL MINERALS PLANT
SASKATCHEWAN
ALBERTA
KERROBERT
UNDERGROUND
START UP
WINTER, 1971-72
FOOTHILLS AREA
155,000 Net Acres
See Detail Map Page 16
MANITOBA
EDMONTON
CONSORT
GAS PLANT
VICTORIA
VANCOUVER
CALGARY
INTERPROVINCIAL
VULCAN
REGINA
STORAGE
SUMMER
WINNIPEG
COCHRANE
EXTRACTION
PLANT
1 BCFD - 12,500 BPD
START-UP
SUMMER, 1970
OPERATOR
A.N.G.
COCHRANE
EDMONTON
PIPELINE
43,000 BPD CAP'Y
START-UP
SPRING, 1970
EMPRESS
EXTRACTION
PLANT
1.5 BCFD - 30,000 BPD
START-UP
WINTER, 1971-72
EMPRESS-
KERROBERT
PIPELINE
25,000 BPD CAP'Y
START UP
WINTER, 1971-72
EXTRACTION
PLANT
START UP
FALL, 1968
STEELMAN
GAS PLANT
START UP
UNITED STATES OF AMERICA


DOME LAND HOLDINGS & INTEGRATED L P G SYSTEM
DOME ACREAGE
POTENTIAL OIL & GAS AREAS
23,778,000 Gross Acres
19,127,000 Net Acres
PROPOSED PIPELINE
100 50 0 100 200 300
MILES
GREENLAND
ON BAY
0 Net Acres
MINERAL CLAIMS
QUEBEC - - - - 158 Claims
ONTARIO - - - 541 Claims
MANITOBA - - 243 Claims
DOME INTEREST 33%
NEWFOUNDLAND
QUEBEC
JAMES BAY LOWLANDS
934,000 Net Acres
SUPERIOR STORAGE TERMINAL
150,000 BBL CAP'Y
START-UP
SUMMER, 1970
DOME 50%
ONTARIO
P.E.I.
N.B.
N.S.
HALIFAX
MONTREAL
TORONTO
SUPERIOR FRACTIONATION

TYPICAL VIEWS
IN CANADIAN
ARCTIC ISLANDS

Outcrop of piercement type gypsum salt dome on Sabine Peninsula, northeast Melville Island.

Desert terrain in the Arctic Islands, Eureka area, Ellesmere Island.

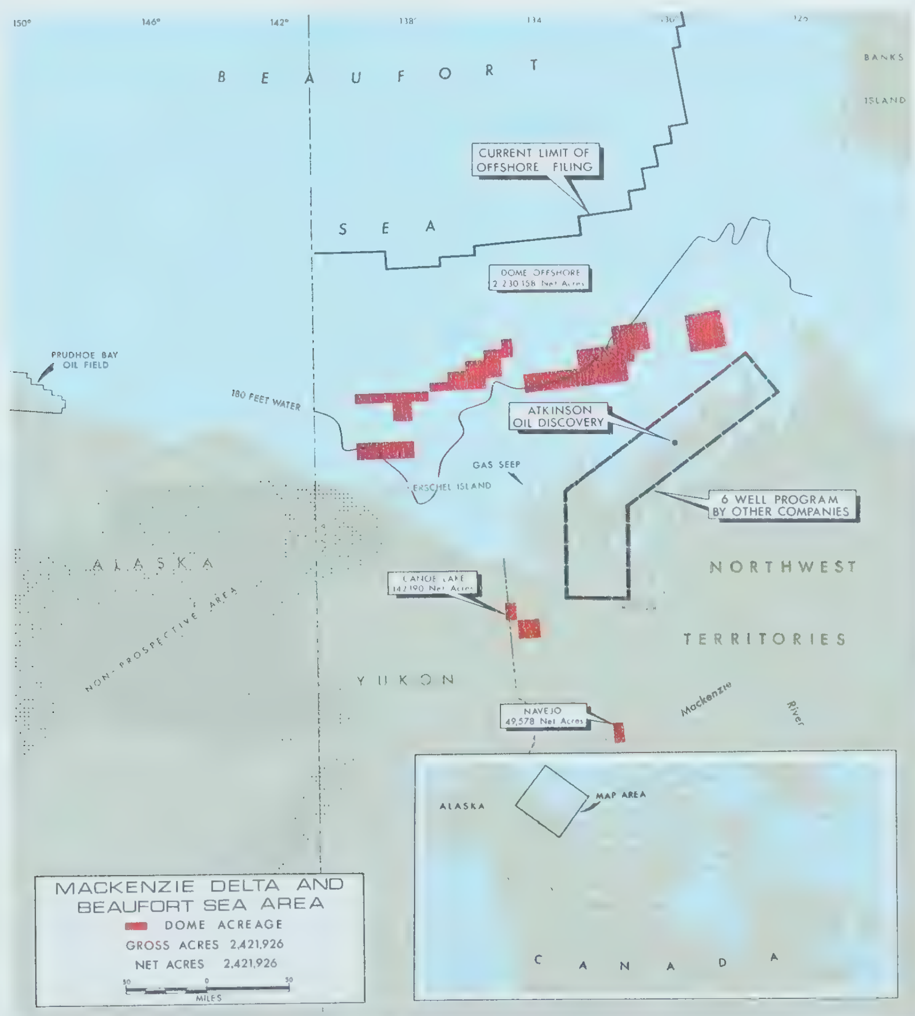
Mountainous area, Axel Heiberg Island.

Canada's Northwest Passage, a major shipping lane of the future.

MACKENZIE DELTA

Your Company holds 2,422,000 net acres of oil and gas rights in the Mackenzie Delta area. The most attractive part of this sedimentary basin appears to be offshore in the shallow Beaufort Sea where a thick marine Tertiary section is known to exist and both oil and gas seeps have been mapped. The recent oil discovery at Atkinson Point is less than 50 miles from some of your Company's acreage.

Dome's 2,230,000 net acres of offshore Mackenzie Delta holdings have been farmed out to Hunt International Petroleum Company of Canada. Under the terms of the farmout agreement, Hunt is committed to a major seismic program and the drilling of a minimum 12,000 foot test well in order to earn approximately 385,000 net acres.



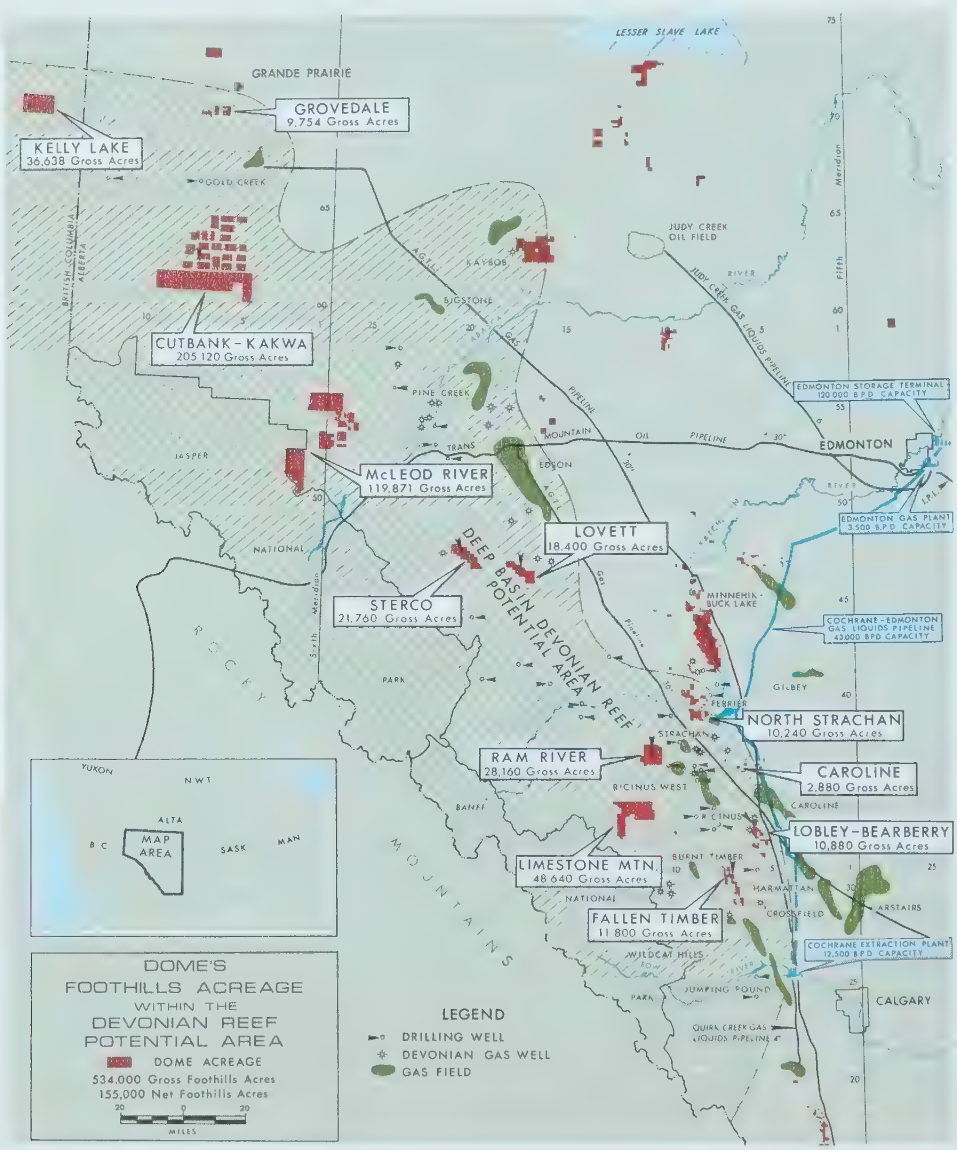
ALBERTA
FOOTHILLS

The area of greatest exploratory activity in Western Canada is currently the Foothills area of Alberta where three major Devonian gas fields, including the 1.5 trillion cubic foot Strachan gas field, have been discovered to date. Dome has a direct interest in this play through its 534,000 gross acres (155,000 net acres) of oil and gas rights in the area.

Drilling and geophysical work is proceeding rapidly on Dome-interest acreage in this area. A 13,500 foot test well is being drilled on a highly prospective gas reservation in the Lobley area where your Company is the operator and holds a 27.75% interest.

Three additional deep tests of apparent reef anomalies are currently being drilled at Ram River (six miles west of Strachan), at Cutbank-Kakwa and at Fallen Timber. Dome's interests in these three prospects are 18.5%, 23.5% and 15% respectively. Seismic surveys and deep tests are planned for 1970 on other Dome acreage in the Alberta Foothills.

The Company also has an indirect interest in the Foothills play through its participation in the integrated LPG processing and distribution system. Large volumes of liquids contained in the Foothills gas will be extracted at the Cochrane extraction plant and/or transported through the Cochrane-Edmonton products pipeline.



GAS PROCESSING

The fastest growing segment of the Canadian petroleum industry in the 1960's was the processing of gas liquids. During the decade, production of gas liquids increased more than ten-fold. Growth in the 1970's should continue at a higher level than the rest of the industry.

Since the late 1950's, Dome has devoted much of its resources to the processing and marketing of liquefied petroleum gas. The Company has developed an integrated LPG processing and distribution system which includes the Steelman and Vulcan gas plants, the Edmonton and Coleville "stripping" plants, the underground LPG storage facility at Melville, Saskatchewan and the propane vapour distribution system in northern Manitoba, all of which are owned 100% by Dome.

The Company has recently embarked on a major expansion of its integrated LPG processing and distribution system on which it will spend in excess of $30 million over the next three years. The first phase of this program (in partnership with Alberta Natural Gas Company and Pan American Canada Oil Company, Ltd.) will be completed in the second quarter of 1970. TransCanada GasProducts Ltd. will join with Dome in the second phase of the program which will begin operations early in 1972.

The expansion program involves the construction of major extraction plants on the Alberta Gas Trunk Line system at Cochrane and Empress, two product pipelines connecting these plants to the Interprovincial Pipe Line system and fractionation and storage plants at Superior, Wisconsin and Sarnia, Ontario. A mixture of gas liquids from the two extraction plants and from other plants in Alberta and Saskatchewan will be batched through the Interprovincial Pipe Line system to the fractionation plants at Superior and Sarnia. Propane, butanes and condensate will move from these plants by pipeline and tank car to markets in eastern and central North America.

Output from the integrated system will average 50,000 barrels per day when the Empress plant reaches full capacity. Dome is the operator of all these facilities with the exception of the Cochrane plant.

The Company's 43,000 barrel per day gas liquids pipeline under construction between Cochrane and Edmonton.

De-ethanizer towers being erected at the Cochrane extraction plant. In May, 1970, 11,500 barrels per day of gas liquids are scheduled to begin their 48 day pipeline journey from this plant to the Company's Sarnia fractionation facilities.

CONSOLIDATED STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 1969 AND 1968

	1969	1968
INCOME:		
Oil and gas sales after royalties	$16,038,452	$16,633,255
Propane and other product sales	6,180,085	6,768,777
Other income	1,373,270	1,159,172
	23,591,807	24,561,204
DEDUCT:		
Operating expenses	5,638,018	5,322,469
Cost of propane and other products sold	2,108,853	1,904,759
General and administrative expenses	272,514	361,505
Interest on long term debt	2,096,158	2,334,634
Other interest expense	699,800	186,003
	10,815,343	10,109,370
CASH INCOME FROM OPERATIONS	12,776,464	14,451,834
DEDUCT:		
Depletion	2,268,135	2,266,407
Depreciation	2,031,765	2,023,922
Amortization	89,343	83,532
	4,389,243	4,373,861
NET INCOME FOR THE YEAR (NOTE 6)	$ 8,387,221	$10,077,973

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1969 AND 1968

	1969	1968
BALANCE AT BEGINNING OF YEAR	$46,399,582	$36,321,609
Net income for the year	8,387,221	10,077,973
BALANCE AT END OF YEAR	$54,786,803	$46,399,582

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1969 AND 1968

	1969	1968
Source of Funds:		
Cash income from operations	$12,776,464	$14,451,834
Issue of 5% Convertible Income Debentures	—	15,000,000
Term bank loans	11,990,156	—
Issues of capital stock	310,425	180,014
	25,077,045	29,631,848
Application of Funds:		
Expenditures for property, plant and equipment	28,708,544	18,369,065
Reduction of long term debt	7,581,395	6,042,138
Investment in Panarctic Oils Ltd.	489,520	338,808
Increase (decrease) in other assets	(197,067)	42,992
	36,582,392	24,793,003
Increase (decrease) in working capital	$(11,505,347)	$ 4,838,845

CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

YEARS ENDED DECEMBER 31, 1969 AND 1968

	1969	1968
Balance at beginning of year	$13,131,242	$13,031,698
Premium on shares issued for cash	270,700	99,544
Balance at end of year	$13,401,942	$13,131,242

See accompanying notes.

DOME PETROLEUM LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1969 AND 1968

ASSETS	1969	1968
CURRENT:		
Cash	$ 2,436,550	$ 1,537,764
Marketable securities at cost which approximates market	233,178	990,421
Accounts receivable	7,232,663	5,053,140
Inventories—		
Crude oil, products and merchandise at the lower of cost or net realizable value	1,330,022	1,293,156
Materials and supplies at cost	475,692	474,951
Prepaid expenses	557,498	463,658
	12,265,603	9,813,090
INVESTMENTS:		
Shares of Panarctic Oils Ltd. at cost	828,328	338,808
Other investments at cost	563,134	570,799
Deposits and long term receivables	472,924	668,274
	1,864,386	1,577,881
PROPERTY, PLANT AND EQUIPMENT (NOTE 2)	128,725,071	104,316,427
OTHER:		
Financing, market development and preproduction expenses less amounts written off	479,174	562,569
	$143,334,234	$116,269,967

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
Dome Petroleum Limited.

We have examined the consolidated balance sheet of Dome Petroleum Limited and its subsidiaries at December 31, 1969 and the consolidated statements of income, paid-in surplus, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

LIABILITIES	1969	1968
CURRENT:		
Bank loans (Note 3)	$ 12,000,000	$ 3,200,000
Accounts payable	4,223,816	3,033,883
Accrued interest on long term debt	339,020	401,354
Current instalments of long term debt	7,514,023	3,483,762
	24,076,859	10,118,999
LONG TERM DEBT (NOTE 4)	42,636,742	38,227,981
SHAREHOLDERS' EQUITY (NOTE 5):		
Capital—		
Authorized — 5,000,000 shares of a par value of $2.50		
Issued — 3,372,755 shares (1968 — 3,356,865) . .	8,431,888	8,392,163
Paid-in surplus	13,401,942	13,131,242
Retained earnings	54,786,803	46,399,582
	76,620,633	67,922,987
	$143,334,234	$116,269,967

On behalf of the Board:

Clifford W. Mitchell Director. Director.

In our opinion, except that no provision has been made for deferred income taxes in respect of depreciable assets as explained in Note 6, these financial statements present fairly the financial position of Dome Petroleum Limited and its subsidiaries as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
March 9, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants.

1. Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The accounts of the U.S. subsidiaries have been converted to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the year-end, fixed assets and long term debt at the rates in effect on the dates of acquisition and income and expenses at the average rates for the year. The net gain on conversion, which is not material in amount, has been included in income.

2. Property, Plant and Equipment

Details of the companies' property, plant and equipment are as follows:

	Gross investment at cost	*Accumulated depreciation and depletion*	*Net investment 1969*	*Net investment 1968*
Oil and gas properties	$ 88,069,086	$13,948,945	$ 74,120,141	$ 64,206,822
Plants, buildings and related facilities	50,934,942	12,074,547	38,860,395	26,330,738
Production and other equipment	19,162,049	3,417,514	15,744,535	13,778,867
	$158,166,077	$29,441,006	$128,725,071	$104,316,427

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided on the unit-of-production basis.

3. Bank Loans

Current bank loans of $12,000,000 are partially secured by assignment of accounts receivable and an undertaking to provide oil and gas security if requested.

4. Long Term Debt

Details of the companies' long term debt are as follows:

	Maturity	*1969*	*1968*
5¾% First Mortgage Serial Bonds—	1984		
Series A (U.S. $8,052,000)		$ 8,696,160	$ 9,056,880
Series B (U.S. $2,773,000)		2,980,975	3,104,600
6% First Mortgage Bonds subject to amortization fund—	1970		
Series A (U.S. $3,452,000)		3,731,612	4,026,725
Series B		628,000	819,000
6½% First Mortgage Bonds	1985	882,000	913,000
5% Convertible Income Debentures	1988	15,000,000	15,000,000
6% Series A Debentures	1970	3,454,535	3,353,598
6% Debentures Series A subject to sinking fund (no payment required in 1970)	1973	2,000,000	2,000,000
6% - 6¾% bank loans secured by certain producing properties	1972	4,135,555	6,944,365
Bank loan secured by certain producing properties with interest at ½% in excess of prevailing prime bank rate	1976	5,000,000	—
Bank loan secured by demand debenture with interest at 1% in excess of prevailing U.S. prime bank rate (U.S. $6,500,000)	1979	6,990,156	—
Other long term obligations		609,190	411,144
		54,108,183	45,629,312
Deduct:			
Instalments due within one year included in current liabilities		7,514,023	3,483,762
Cash and investments held by amortization fund trustee		3,957,418	3,917,569
		11,471,441	7,401,331
		$42,636,742	$38,227,981

The 5% Convertible Income Debentures are secured by a floating charge on all of the Company's undertaking, property and assets both present and future. The debentures are convertible at any time to May 15, 1988 into common shares of the Company at $84.75 per share and are redeemable after May 15, 1973 at 105 percent of the principal amount.

The demand debenture securing the U.S. bank loan represents a first floating charge on the assets and contracts comprising the construction program for which the funds were borrowed.

Approximate instalments of long term debt (including amortization and sinking fund payments) due in each of the five years subsequent to December 31, 1969 are as follows:

1970 — $7,514,000; 1971 — $4,082,000; 1972 — $4,189,000; 1973 — $3,026,000; 1974 — $2,395,000.

5. CAPITAL

During the year 10,711 shares were issued on the exercise of options for $279,645 cash, 4,153 shares were issued in exchange for shares of Provo Gas Producers Limited and 1,026 shares were issued on the exercise of stock purchase warrants of a subsidiary for $30,780 cash. The par value of the shares issued, $39,725, was credited to share capital account and the balance to paid-in surplus.

At December 31, 1969, 342,682 shares of the Company's stock were reserved as follows:

177,000 shares for the conversion of the 5% Convertible Income Debentures.

45,300 shares for options granted to officers and 97,979 shares for options granted to other employees. Of these, options on 50,000 shares were granted during the year, of which 25,000 exercisable at $98.00 per share were cancelled and replaced by options exercisable at $68.00. The options are exercisable on various dates to November 24, 1979 at prices ranging from $12.80 to $74.00 per share.

15,184 shares for the exercise of stock purchase warrants of a subsidiary at $30.00 per share until September 30, 1970.

7,219 shares for the shares of Provo Gas Producers Limited not yet presented for exchange.

6. INCOME TAXES

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges to earnings. As a result, no income taxes are payable in respect of earnings reported for the year ended December 31, 1969, and at that date accumulated expenditures of $60,000,000 were available to be carried forward and applied against future taxable income.

The companies do not consider it appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of the related charges in the accounts and this view conforms with general practice in the oil and gas industry. This practice differs from the tax allocation recommendation of the Canadian Institute of Chartered Accountants that income tax be provided for on the basis of income reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of $2,985,000 ($3,565,000 in 1968) would have been provided, and net earnings for the year would have been reduced accordingly. The accumulated deferred income tax provisions covering the current and prior years would have amounted to $18,222,000 at December 31, 1969.

If deferred income taxes had been provided for income tax deductions claimed in respect of depreciable assets in excess of depreciation provided in the accounts, net income for 1969 would have been reduced by $1,300,000.

7. STATUTORY INFORMATION

The total remuneration paid to the directors and senior officers (as defined by The Ontario Securities Act) amounted to $121,542 which includes $6,000 paid to directors. No directors fees as such are paid.

TEN YEAR REVIEW

FINANCIAL

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE FIGURES)

YEAR	Gross Income (after royalties)	Operating Expenses	Cost of Product	General and Admin. Expenses	Interest	Cash Flow	Cash Flow per Share	Depreciation Depletion an Amortizatior
1969	23,592	5,638	2,109	273	2,796	12,776	3.79	4,389
1968	24,561	5,322	1,905	361	2,521	14,452	4.31	4,374
1967	21,769	4,669	2,275	481	2,183	12,161	3.66	3,800
1966	17,848	4,165	1,665	520	1,780	9,718	2.94	3,295
1965	15,243	3,580	899	359	1,423	8,983	2.72	3,210
1964	13,708	3,174	336	340	1,187	8,672	2.63	2,902
1963	12,200	2,955	306	301	1,035	7,602	2.32	2,701
1962	10,181	2,389	180	237	1,084	6,292	1.92	2,570
1961	8,013	1,860	244	281	1,274	4,354	1.33	1,801
1960	6,632	1,709	256	268	1,210	3,188	.98	1,459

OPERATING

YEAR	PRODUCTION						RESERVES	
	Oil and Natural Gas Liquids (net bbls)	Average Daily Oil and N.G.L. (net bbls)	Gas (billion cubic feet)	Average Daily Gas (million cubic feet)	Average Daily Oil, N.G.L. and O.E.G. (net bbls)	Sulphur (long tons)	Est. Remaining Oil and N.G.L. (net bbls)	Est. Remainir Gas (billion cubic feet)
1969	6,231,010	17,071	48.7	133.4	24,079	12,131	116,900,000	1,184
1968	6,259,450	17,102	51.8	141.6	24,615	13,841	73,300,000*	1,100*
1967	5,757,849	15,775	43.7	119.7	21,238	6,353	61,890,000*	1,011*
1966	4,972,284	13,623	37.2	101.9	18,280	3,700	59,267,000*	919*
1965	4,445,043	12,178	36.8	100.8	16,532	883	53,830,000	829
1964	4,203,161	11,484	35.7	97.5	15,896	661	50,769,000	793
1963	3,857,801	10,569	34.9	95.6	14,912	1,016	48,300,000	754
1962	2,967,233	8,129	35.1	96.2	12,543	2,339	44,600,000	770
1961	2,208,048	6,049	31.3	85.8	9,958	1,941	52,246,000	763
1960	2,039,078	5,571	21.7	59.3	8,275	1,397	45,093,000	731

* *Excludes Zama and other confidential reserves.*

Net Income	Net Income per Share	Shares Outstanding	Long Term Debt	Land Rentals	Exploration Costs	Development Costs	Plants, Bldgs. and Related Facilities	Land Acquisition Costs
8,387	2.49	3,373	42,637	1,259	3,718	5,447	14,010	4,274
10,078	3.00	3,357	38,228	1,354	2,668	6,535	4,068	3,744
8,361	2.51	3,325	29,270	815	4,576	7,526	4,927	3,626
6,424	1.94	3,308	23,978	665	2,773	5,869	1,796	2,472
5,774	1.75	3,300	21,264	551	1,574	5,598	4,138	919
4,085	1.24	3,284	18,096	530	1,154	3,655	1,775	5,560
3,386	1.03	3,280	14,476	473	1,043	4,130	1,824	1,044
2,204	.67	3,276	13,133	446	1,072	3,462	3,278	1,809
1,741	.53	3,273	18,933	359	453	2,105	513	770
463	.14	3,257	14,854	367	900	2,590	84	266

WELLS DRILLED						NET WELLS		ACREAGE	
Gross	Working Interest Gross	Working Interest Net	Royalty Interest	Exploratory Gross	Step Out and Development Gross	Oil	Gas	Gross	Net
75	58	38.3	17	36	39	426	187	23,777,692	19,127,099
134	116	87.3	18	82	52	414	168	19,593,390	15,931,523
102	88	68.5	14	54	48	359	131	13,268,294	11,003,613
104	97	67.0	7	49	55	335	117	7,504,166	5,212,851
100	88	65.7	12	37	63	309	99	6,064,597	3,829,128
70	61	43.1	9	22	48	269	83	6,745,955	4,194,810
66	64	41.0	2	8	58	237	79	6,763,610	4,204,095
54	54	32.7	—	16	38	200	75	6,570,663	3,988,641
31	26	15.9	5	7	24	196	66	4,427,385	3,457,813
74	61	33.7	13	19	55	175	57	4,109,215	3,283,815

N.G.L. — Natural Gas Liquids O.E.G. — Oil Equivalent of Gas

DOME PETROLEUM LIMITED 1969 ANNUAL REPORT

AND FIRST QUARTER 1970

FOOTHILL PRINTERS LIMITED PRINTED IN CANADA